

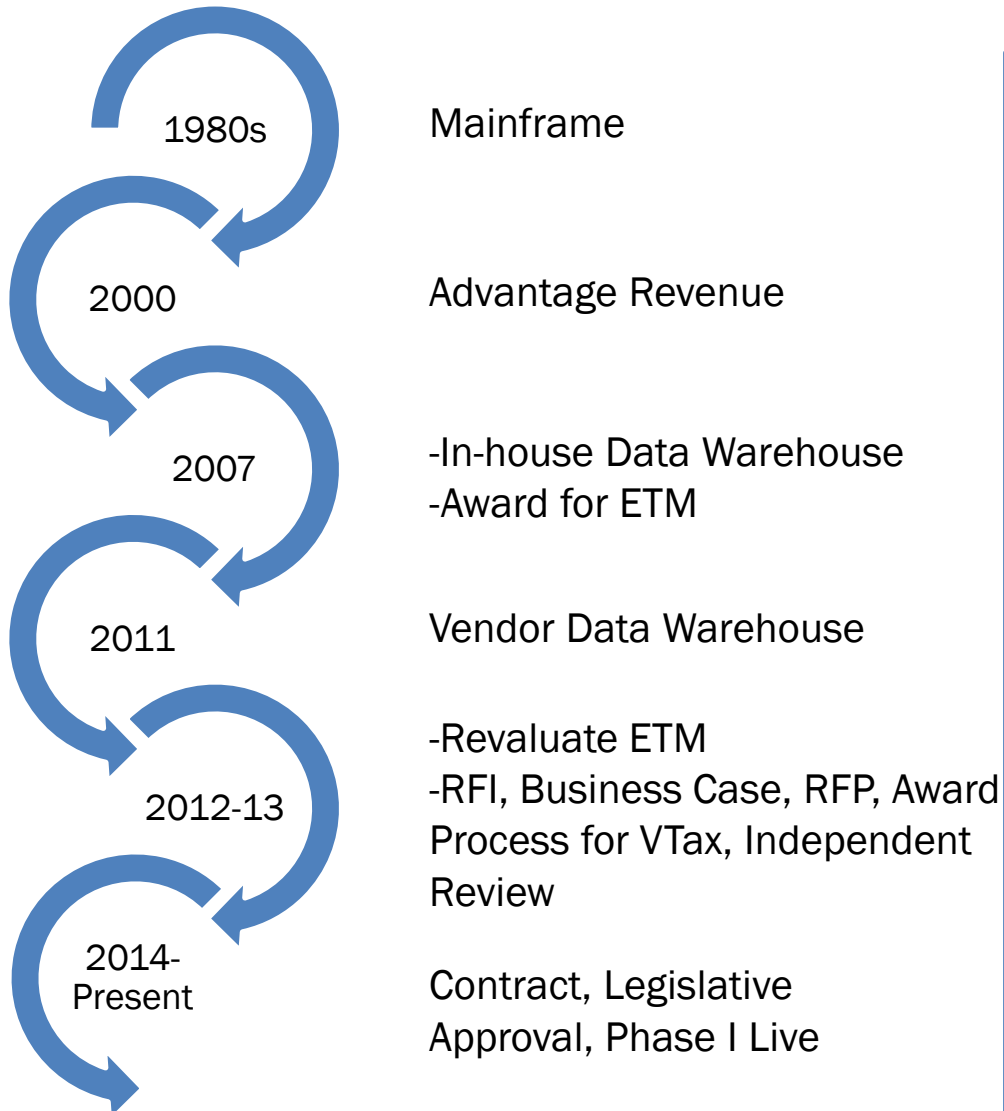
VT Department of Taxes IT Modernization

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WORKING TITLE

VT Department of Taxes Forty Years of IT Modernization Efforts *“Fourth Time is the Charm”*

Overview of History



The Vermont Department of Taxes' long held goal has been to implement an Integrated Tax System (ITS) – a single processing system for all tax types.

The result of not successfully implementing such a system despite three tries in the last four decades is that as of 2014, we were using multiple legacy platforms, including a 1980s mainframe, as well as a separate data warehouse, to administer over two dozen tax types.

On fourth try, failure was not an option!

The 80s...Dawn of Modern Computers

Imagine desks piled high with paper returns, topped by ashtrays...

Vermont was a fairly early adopter of newfangled mainframe processing for all the paper

The Legacy: Mainframe still in use for a few taxes

- Clunky
- Have to pay pro rata the States' mainframe costs
 - Inching up as more Departments switch
- Our only maintenance expert is a retiree consultant

The 90s...First Try on True ITS

Went with well-known vendor, but newish product which we call “Advantage Revenue”

1998: First phase of sales/use and meals/rooms taxes went relatively well

2001: Project went off the rails with personal income tax

- Refunds delayed until the fall
- Relentless negative publicity
- At least one other state obtained a very large judgment against the vendor
- Our VT IT staff valiantly installed patches and fixes

The Legacy from the 1990s

Advantage Revenue is still in use today for sales/use and meals/rooms tax types

- Continued difficulties in maintaining
- Difficulty with interfaces to other platforms
- Little flexibility, e.g. letters are hard wired in format, timing
- Any change requires manual overrides and/or coding
- Dwindling staff with technical knowledge

The New Century

FINANCING

New “Self Funding” Model in 2007

- Designed an in-house data warehouse
 - New non-filer identification program relying on VT DOL data match
- Convinced legislature that Department could keep 80% proceeds of this program to finance new ITS processing
 - *No need for appropriations from general or capital fund

The New Century

TECHNOLOGY

New ITS Award in 2007

- Two main bidders
 - One established company doing just ITS work
 - One newcomer to government revenue market
- Chose the latter, new revenue processing product we call **ETM**
 - Premier national software company retrofitting utility software
 - Premier government contract company doing implementation
 - 3 other states awarded this software at same time
 - Price seemed right

What Could Possibly Go Wrong?!

Financing Model

- Nothing!
 - DOL project brought in enough revenue to “self fund” Phase 1 without appropriation

ITS Implementation

- A Whole Lot!

What Went Wrong?

- **The good:**
 - With valiant effort by internal staff, we did go live in 2010 and put the ETM software to use for Phase 1 Taxes (Corp/Business Income and Collections)
 - “Technically” on time and on budget, an improvement
- **The bad:**
 - The ETM system hasn’t worked well, difficult for employees, unstable
- **The ugly:**
 - Discussions with the large well-known ETM software vendor highlighted need for costly fixes and upgrades even for Phase I
 - Clear that no mature product for other taxes

Roadmap Out

Financing Model

- Convinced legislature to allow us to go forward with self-funding model
- 5-year contract in 2011, established vendor for COTS data warehouse
- In final year, on target to exceed revenue estimates
- ITS project itself also bid on a “benefits” basis, ITS vendor will not get paid without measurable revenue results

ITS Project

- Hit impasse with ETM software vendor, solutions too costly
- 2/3 other states using software were also looking to end projects
- Other VT Departments were experiencing publicized IT failures
 - Judiciary and DMV
- Strategy for 2012-14: RFI, Business Case, RFP, Award, Independent Review

Doing it Right for VT 2012-15

RFI: Informal inquiry, what else is out there?

Business Case: Does ITS still make sense?

- One view of taxpayer
- Fewer interfaces
- Employee efficiencies
- Modern customer service
- More compliance
- Better audit and collection

RFP: Formal request, clear set of objectives (the “what” not the “how”)

Award: No Room For Failure

- Scored high points for tried and true
- Willing to trade-off current business processes and future flexibility to lower risk and leverage other/bigger states' success
- 3 bidders: went with company that focused solely on government revenue, product in complete production over a decade in 15 other states

Success Thus Far, This Time Around

Phase 1 – On Time!

Biggest challenges around limited internal staff resources:

- Dedicated one person from each division as “IC”
- Especially during testing, fully 1/3 of staff pulled in
- Changing established business procedures

Biggest benefits include:

- Large on-site staff of vendor has transformed Department
 - Co-located in modern workspace with internal project team
- Experience of vendor team with other states
- Interface with other/bigger states on best practice processes
- Overall increase in internal staff enthusiasm for IT
- Legislature is happy with success